



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

TAX SOURCE GROUP MIC:98

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www.boe.ca.gov

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Fourth District, Los Angeles

JOHN CHIANG
State Controller

RAMON J. HIRSIG
Executive Director

[Date]

Reference Number: []

The State Board of Equalization (BOE) is in receipt of information from the Employment Development Department (EDD) indicating you have been registered with EDD since [Fixed start date]. Industry studies indicate there is a likelihood that your business has purchased fixtures, equipment, machinery, furnishings, consumable supplies or other items from retailers outside California for use in California.

Many individuals and businesses in California make purchases from out-of-state retailers (both foreign and domestic) that would be subject to sales tax if the same items were bought in California. If your business has made out-of-state purchases without paying the California sales or use tax and used, given away, stored, or otherwise consumed the purchases in this state, you may owe California use tax. This is true whether the purchases were made in person, over the Internet, by telephone, or by mail. Some items are exempt from use tax. For example, food products are generally exempt (excluding alcoholic beverages or hot food). In addition, purchases for resale, prescription medicines, and shipping charges are generally not subject to use tax. Refer to enclosed publication 123-TG, *How to Identify California Use Tax Due*, for more information regarding use tax.

Although the State Revenue and Taxation Code authorizes the BOE to conduct an audit which may go back eight years (longer if fraud is detected) and reserves the right to do so, at this time the BOE is asking you to do the following:

- Review your records and self report any purchases that were made without tax during the last three years (primarily purchases made out of state) using the enclosed worksheets.
- Provide us with copies of the following documentation:
 - IRS federal income tax return for the past year;
 - Asset depreciation schedules for the past three years
- Sign and date this letter, and return it to the address listed in the heading along with your federal income tax information, completed and signed worksheets, and payment for the total due.
- If you have not made any purchases from outside California, please confirm that at the end of this letter, sign and date it, and return it to the address listed in the heading along with your federal income tax information and signed worksheets indicating zero to report.

Please use the [BOE-403-CLW, Use Tax Return Worksheets](#) on the following pages of this letter to report the items purchased out of state without payment of California sales or use tax during 2005, 2006, and 2007 that are subject to California use tax. If additional pages are needed, you may copy and attach them to the respective worksheet.

The use tax rate for a California location is the same as the sales tax rate for that same location. Rates currently range from 7.25 percent to 9.25 percent depending on the county and city where the items are used. If you do not know the tax rate for the area where an item was used, you may call our Taxpayer Information Section at 800-400-7115 for assistance or refer to [publication 71, California City and County Sales and Use Tax Rates](#).

After calculating the tax, penalty, and interest due for each year, add the amounts due for all three years and send the worksheets with payment for the total amount due, made payable to the State Board of Equalization, by [Date]

In addition, if during any 12-month period you make three or more sales of fixtures, equipment, machinery, furnishings, or other items used to conduct your business, or other tangible personal property, you should generally hold a California seller's permit to report sales on a regular basis and to pay the sales tax on those items sold at retail. If you are making three or more sales of this nature in any 12-month period on a consistent basis, please check the box below and a representative will contact you to help you determine if you should hold a seller's permit.

To obtain copies of any of the publications referenced in this letter, you may call our Taxpayer Information Section at 800-400-7115 or visit our website at www.boe.ca.gov.

If you have any questions or concerns regarding your reporting requirements, please contact me at [Work Phone].

Sincerely,

Tax Source Group

Enclosures: BOE-403-CLW, *Use Tax Return Worksheets*
Publication 123-TG, *How to Identify California Use Tax Due*
Interest Rate Chart
Return Envelope

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- ☐ Three or more sales are made during a 12-month period of fixtures, equipment, machinery, furnishings, or other items used to conduct business, or other tangible personal property.
- ☐ We have a California Seller's Permit. The number is: _____
- ☐ Enclosed are completed BOE-403-CLW, *Use Tax Return Worksheets*.
- ☐ We have not made any purchases subject to tax without paying the sales or use tax and we have no use tax to report.

PRINT NAME OF PERSON RESPONDING TO LETTER

DAYTIME PHONE

SIGNATURE

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DATE